

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In re Notice of Proposed Rulemaking)
)
Implementation of Sections of)
the Cable Television Consumer)
Protection and Competition Act)
of 1992 -- Rate Regulation)
)
Uniform Rate-Setting Methodology)
(FCC 95-472))

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CS Docket No. 95-174

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COMMENTS
OF THE CITY OF ROCK HILL, SC

1. On November 28, 1995, the Commission adopted a Notice of Proposed Rulemaking in this matter. The Notice discussed the benefits to be gained as a result of uniform rates for basic and cable programming service tiers within a cable television company's service area. Comments were due January 12, 1996, which was extended to January 16 by Notice DA 96-2.

2. The City of Rock Hill respectfully requests that these comments be accepted even though filed late. Prolonged furloughs of federal employees, weather emergencies, holidays, and regular meeting schedules prevented the City from preparing these comments on a timely basis. If the Commission does not accept these comments for its formal process, the City requests that they be considered as informal comments.

3. The City of Rock Hill had a population of 41,643 and 15,682 housing units in 1990. It is the largest municipality in York County SC, which had a population of 131,497 and 50,438 housing units in 1990. A local company provides cable television service to most of the county under several corporate identities and multiple franchises. The company's rates are uniform throughout its York County service area except for the City of Rock Hill, where rates are lower.

4. Under section 76.946 of the Rules, a cable company is permitted to advertise inclusive rates with "footnotes" for variations among various franchise areas. In the absence of a showing that this section does not provide the benefits described in ¶12, we believe that this section satisfies the operators' needs and the public interest.

5. Subscribers moving from one part of an MSO's service area to another anticipate variances in numerous other costs. Typically electric, water and sewer, property taxes, sanitation rates, not to mention housing prices, all change when someone moves. Eliminating changes in cable television rates is not likely to be perceived as a significant benefit. Furthermore, only a

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fraction of the new households established in any community represent internal moves. Rock Hill experienced an annual increase of 2.46 percent in the number of households during the 1980's. York County's household growth rate was 3.15 per cent. These data indicate a large increase in the number of households, largely due to immigration, not internal migration.

6. The local cable television operator serves seven franchise areas in York County, and a number of jurisdictions in two other counties, from offices and headend in Rock Hill. The company has a head end in one of the other counties for some signals. Only the City of Rock Hill has franchise requirements for PEG channels, local origination, emergency alerting, and various other impositions. Nevertheless, rates for the basic service tier in Rock Hill are significantly lower than rates in all other jurisdictions. The company uses a cost of service methodology in setting its rates, which are uniform everywhere except within the City of Rock Hill. Neither the City of Rock Hill nor any other jurisdiction in York County has implemented rate regulation, although Rock Hill has qualified under the FCC rules. Informally, however, the cable operator has stated that rates in Rock Hill are already at the limit the cost of service method would allow and rates in York County are below the limit imposed by the Commission's rules. Rock Hill believes that it should not have to subsidize the rest of York County's cable service.

7. The Company's most recent report of subscriber numbers is as of December 31, 1994. At that time there were 14,784 subscribers to the basic service tier (BST) in Rock Hill and 16,946 additional subscribers to the basic service tier in York County. There were 9,715 subscribers to the cable service tier (CPST). The actual figure for non-Rock Hill CPST subscribers was not reported by the cable operator. Assuming that penetration of this tier elsewhere in York County is equal to penetration in Rock Hill, there are 11,136 subscribers to the CPST in the rest of York County.

8. Calculation of example based on paragraph 18 of the NPRM:

	Rock Hill	All others
BST subscribers	14,784 ¹	16,946
BST rate	\$9.65	\$13.95
CPST subscribers	9,715	11,136
CPST rate	\$12.25	\$12.25
Total BST + CPST	\$21.90	\$26.20

All rates are quoted net of franchise fees, which vary among jurisdictions.

Under this proposed method, basic rates would be lowered elsewhere to equal the Rock Hill rate. This would create an amount of $(16,946 * \$4.30)$ \$72,867.80 to be recouped by adjustment in the CPST rate. The current CPST rate generates $((9,715 + 11,136) * \$12.25)$ \$255,424.75 a month. Adding the "lost" BST money makes a total of \$328,292.85 per month to be recovered. Dividing

¹Basic subscriber count in Rock Hill includes apartment, business, and college dormitory subscribers who do not pay the "rack rate" but are served according to bulk pricing. It seems appropriate to include them in this calculation.

this by the total CPST subscribers gives the new CPST rate of \$15.74. Thus a CPST subscriber, regardless of location, would pay \$25.39 a month. This represents an increase for Rock Hill subscribers of \$3.49. Multiplied by the total number of CPST subscribers, this increase totals \$406,864 a year.

9. The alternative method in paragraph 19 of the NPRM would average BST rates. Initial data are the same as in the example above. The total BST revenue now is $(14,784 * \$9.65 + 16,946 * \$13.95)$ \$379,062.30. Divided by the total BST subscribers, this calculation yields a blended rate of \$11.95. Thus, the second method represents an increase of \$2.30 per month for Rock Hill subscribers. Multiplied by the total, this is an increase of \$408,038.40 per year.

10. Either proposed methodology would mean the monumental transfer of more than \$400,000 a year from residents of the City of Rock Hill to residents of other parts of York County. No local government could even contemplate such an action. It is incredulous that a federal agency would suggest it.

11. Therefore, the City of Rock Hill believes that this concept is fatally flawed and should be dropped. It is beyond the authority of the Commission under the Cable Act. It is an unauthorized tax imposed on citizens of Rock Hill. It violates the very spirit of the "Consumer Protection ... Act of 1992". Cities inherently are more efficient places for delivery of many services, and the cable rates simply verify that statement. The federal government should not presume to void that natural efficiency by fiat.

Respectfully submitted,



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